

**SIKKIM**



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**Date: 28/01/2022**

**NOTIFICATION**

The State Government is hereby pleased to notify the Sikkim Micro, Small and Medium Enterprises (MSME) Policy, 2021 annexed herewith to promote, regulate and facilitate the growth and sustainability of Sikkim Micro, Small and Medium Enterprises (MSME) units through various incentives and subsidies outlined in the Policy.

**By order and in the name of the Governor.**

**H.K. Sharma, IAS  
Commissioner-cum-Secretary  
Commerce & Industries Department  
File No: 6/CGO/194/2010-11**



Government of Sikkim

## SIKKIM MICRO, SMALL AND MEDIUM ENTERPRISES POLICY, 2021

**Department of Commerce and Industries,  
Government of Sikkim,  
Udyog Bhawan, Tadong, Gangtok-737102**

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## **1. List of Abbreviations**

CFC – Common Facilitation Centres

CIF – Common Incubation Facilities

CSO – Central Statistics Office

CSR – Corporate Social Responsibility

DGFT – Directorate General of Foreign Trade

DIC – District Industrial Centre

EMI – Equated Monthly Instalment

GDP – Gross Domestic Product

IDF – Industrial Development Fund

IT – Information Technology

IEC – Importer Exporter Code

MSME – Micro Small and Medium Enterprises

NABARD – National Bank for Agriculture and Rural Development

PSU – Public Sector Undertaking

PWD – Person With Disabilities

RCMS – Registration cum Membership Certificate

SGST – State Goods and Service Tax

SC/ST – Scheduled Caste/ Scheduled Tribes

SMSEFC – Sikkim Micro and Small Enterprises Facilitation Council

UAM – Udyog Aadhaar Memorandum

## 2. Background

Sikkim with a geographical area of 7096 sq.kms has a population a little over 7 lakhs. Until the beginning of the 1990s, the economy of the state was primarily dependent on agriculture and allied activities. The secondary sector consisted of weaving, wood and other local handicrafts, and a few heavy industries.

The role of Micro, Small and Medium Enterprises (MSME) in the national economy is well known. The share of MSME in the national GDP stood at 30.5% and 30% for 2018-19 and 2019-20, respectively (CSO, Ministry of Statistics & PI). It accounts for more than 45% of the total industrial production of the country. Still, the impetus required to be given to MSME development in the state by way of support has been lacking. At present, only 625 entrepreneurs have registered for Udyog Aadhaar Memorandum (UAM) in Sikkim.

Sikkim is having the second highest unemployment rate in the country with 136 unemployed per 1000 people in the age bracket of above 18 years (Annual Employment & Unemployment Survey Report, Labour Bureau). There is an urgent need to formulate a State MSME policy to encourage local youth to actively take up entrepreneurship and establish themselves. Additionally, in a state where space is a constraint, MSMEs are more suitable owing to less space requirement as opposed to large industries.

The MSMEs of Sikkim would be the cradle for the *"Make in Sikkim"* vision. This would be the nursery where small existing businesses have the potential to become world class players. Larger ventures will also have the advantage to establish themselves globally by attracting partners with technology and funds. The present MSME policy is framed to encourage this.

MSME Policy of Sikkim takes into account the various Government Departments such as Department of Commerce and Industries, Directorate of Handloom and Handicrafts, Department of Information Technology, Department of Agriculture, Department of Horticulture, Department of Tourism, Department of Health etc., and the Regulatory Departments such as Departments of Planning and Finance. All policies need to be aligned with each other as the focus here is the entrepreneur, regardless of which end of the growth spectrum he/she may be. The policy framework must enable and encourage entrepreneurs at all ends of the scale. It should also be aligned with MSME policies of the Government of India as well as other State Governments. Many progressive policies at the regional, national and international level can also be accessed in order to highlight best practices.

The MSME policy must encourage establishment and growth of state units. It is well understood that big businesses evolve from small ventures and go on to become larger stakeholders. Thus, the first objective of this policy must not only encourage establishment but also emphasize on growth. For this purpose, the definition of MSME needs to be re-looked, embracing the growth aspect which is crucial if the end goal is to encourage entrepreneurs to establish themselves globally.

The MSME Policy Framework is designed encompassing:

1. An enabling framework;
2. A supporting framework; and
3. A subsidy framework for very small businesses.

MSMEs are defined in 'The Micro, Small and Medium Enterprises Development Act, 2006'. The Ministry of Micro, Small and Medium Enterprises, Government of India has issued a notification S.O.1702 (E), dated 1<sup>st</sup> June, 2020 in which a new definition and criterion for MSME has been highlighted in accordance with Aatma Nirbhar Bharat Package announced on 13<sup>th</sup> May, 2020. This new definition and criterion has come into full effect from 1<sup>st</sup> July, 2020.

The Micro, Medium and Small Enterprises units are defined as below:

Revised MSME Classification			
Composite Criteria - Investment And Annual Turnover			
Classification	Micro	Small	Medium
Investment & Turnover	Investment < Rs. 1 cr. and Turnover < Rs.5 cr.	Investment < Rs. 10 cr. and Turnover < Rs.50 cr.	Investment < Rs. 20 cr. and Turnover < Rs.100 cr.

### 3. Objectives

Given that the MSME sector needs to be promoted aggressively in the interest of local entrepreneurs, the policy must address limitations such as inadequate exposure to businesses and trade practices. To this extent, the objectives of the policy are as follows:

- To promote the development of entrepreneurship within the state by increasing awareness, sensitization and exposure;
- To assist young entrepreneurs by providing skill development training, all round incubation, funding access, subsidies, marketing assistance in order to ensure that enterprises are firmly rooted and capable of sustainable growth through business model;
- To encourage MSME to upscale their businesses and promote from local to national and international enterprises. Attract investment in this sector from local entrepreneurs;
- To provide technological support to new and existing entrepreneurs to maximize their production;
- To promote employment among the local populace in businesses within the capability of MSME;
- To ensure that enterprises follow the green development pathways by adopting environment friendly measures;
- Benefits of specific incentives can be availed by Sikkim Subject/ Certificate of Identification/Residential Certificate holders and their descendents;

### 4. Policy Targets

The MSME Policy aims to provide facilitation, services, incentives and subsidies to promote local entrepreneurs to increase production and services and enable them to export their commodities and services outside the state and country.

### 5. MSME Directorate

A dedicated MSME Directorate shall be setup in the Department of Commerce and Industries headed by a Director. It should be equipped with adequate technical and administrative

manpower to oversee the activities of MSME in the state. The role of the MSME Directorate in the Department of Commerce and Industries shall broadly consist of the following aspects:

- a. To organize awareness among engineers, technocrats, managerial persons and other graduates for developing enterprises based on innovative ideas and IT based services and as an end-product will cater manufacturing entities to large industries;
- b. To facilitate and coordinate skill development and incubation of potential entrepreneurs;
- c. To facilitate financial assistance through different financial schemes launched by the government, from different nationalized banks and financial institutions/agencies for setting up of enterprises;
- d. Implementation of Central and State Government schemes to develop industrial estates, technology centres, common facilities centre etc. to the benefit of local entrepreneurs;
- e. To facilitate handholding of the emerging entrepreneurs through already established firms as their ancillaries;

#### **6. State MSME Advisory Committee**

The Sikkim State MSME Advisory Committee shall be an autonomous body comprising of officials and experts from different State Departments, Central Ministries/Offices, State/Central Universities and representatives of associations who have the mandate to work in the MSME sector or are related to its development. The Advisory committee will be headed by the Secretary, Department of Commerce and Industries. It will also induct members from the line departments of the Government of Sikkim, the MSME Development Institute of the Government of India, National Small Industries Corporation, Entrepreneurs associations, Lead Bank and National Bank for Agriculture and Rural Development (NABARD). The committee shall have the following mandate:

- a. To conduct quarterly coordination meetings with all the line departments and agencies for sharing of all available schemes for the benefit of entrepreneurs.
- b. To advise dovetailing of the available schemes.
- c. To facilitate setting up of single window for Ease of Doing Business of MSME sector.
- d. To facilitate in solving issues faced by entrepreneurs while starting or running an enterprise.
- e. To facilitate entrepreneurs at a single point. Different departments can share resources, technical expertise to bridge the gap so that enterprises can thrive.
- f. To take initiatives for regular revision and updation of MSME Policy as and when required according to the needs of the sector.

#### **7. Incentives**

- a. 100% exemption from stamp duty. Transfer duty paid on purchase of land or for lease of land/shed/buildings for MSME activities undertaken by COI holder/Sikkim Subject Certificate holder/Residential Certificate holder shall be reimbursed (subject to a maximum of Rs. 2 lakhs).
- b. New MSME belonging to manufacturing, servicing and job work shall get reimbursement of 50% SGST for a period of 3 years from the date of commencement of commercial production/services (subject to a maximum of Rs. 2 lakhs).

- c. Interest Subsidy of 25% for the first five years shall be provided to MSME for their credit loan availed for enterprise development, subject to the payment of EMI without default by the MSME for the previous year. This interest subsidy shall not exceed a maximum of Rs 2 lakhs per year.
- d. The MSME shall be provided with 50% of their transportation cost for participation in national/international trade fairs.
- e. Exposure training for entrepreneurs in established industrial firms outside the state will be arranged from different schemes for their first-hand information and knowledge.
- f. However this subsidy will not be extended if similar subsidy is availed or being availed by the enterprises under some Central Government Scheme.

#### **8. Traditional MSME of Sikkim**

- a. Sikkim has an age-old tradition of carpet weaving, handloom products, wood carving and thank a painting activities mostly carried out by rural weavers and artisans. These industries have been preserved under the Directorate of Handloom and Handicrafts and its numerous centers spread all over the state. The State Government will help design, innovate, develop and popularize such traditional industries following the contemporary market trends. The State Government has also decided to frame an export policy which will provide required facilities to such entrepreneurs.

#### **9. Green Incentives**

- a. Reimbursement of 50% cost or maximum of Rs. 1 lakh for water audit and Rs. 1 lakh for energy audit shall be provided to all the sectors of MSME for three years.
- b. Reimbursement of 50% of the cost or upto Rs. 1 lakh for creation of greenery in and around the plant site for one time only.
- c. The Udyam registered MSME of Sikkim shall also claim the graded incentives as notified by the Ministry of MSME, Government of India under Zed initiatives as prescribed for the three certification levels viz. Bronze, Silver and Gold after fulfilling the defined criteria in the prescribed manner.

#### **10. Industrial Estate**

- a. The Government of Sikkim shall develop industrial estates in all the districts of Sikkim having minimum 15 acres each, preferably for the micro and small enterprises. Flatted factories shall be constructed for providing working space to micro and small enterprises.
- b. Some of these flatted factories/industrial estates shall be dedicated for developing food parks for promotion of agro-processing related micro and small enterprises.
- c. 20% of the flatted factory/Industrial estate area shall be reserved for women entrepreneurs/PWD/SC-ST and entrepreneurs from rural areas.

#### **11. Quality Improvement**

- a. The quality of finished products is of paramount importance for successful marketing and the state will make every effort to arrange for quality control training and facilitate registration with the appropriate accredited agency for quality control.

## **12. Marketing Assistance**

- a. MSME division shall hold quarterly MSME meets and also invite large companies and PSUs (Central and State) in order to develop a strong network between MSME and large companies to facilitate supply and demand from both sides.
- b. District Industries Centre (DIC) will study the market requirement and skill mapping. Such a centre shall conduct skill development training programmes in the required field in coordination with registered institutes/training centers run by local entrepreneurs in the state through the State Skill Development Department.
- c. In line with the Central Government Public Procurement Policy for Micro and Small Enterprises, every State Government Departments/Offices/Institutes/Universities/Colleges/SPSUs shall set an annual target for 25% procurement from micro and small enterprises of Sikkim. A sub-target of minimum 5% out of the 25% target of annual procurement from micro and small enterprises shall be from Women/PWD/SC/ST and rural entrepreneurs.
- d. Tender fee shall be free of cost and there shall be exemption from payment of earnest money to registered micro and small enterprises to participate in State Govt/Private enterprises tenders in Sikkim.
- e. Price preference of 15% shall be given due advantage to micro and small enterprises at the time of tender quote.
- f. Insurance cover shall be extended for the goods and commodities registered under RCMC for 2 years.
- g. MSME Directorates/DICs shall hold Vendor Development Programmes/Buyers-Sellers Meets for micro and small enterprises to promote their marketing/sales.
- h.

## **13. Quality Certification/Patent and Trade mark registration**

Department of Commerce and Industries will assist the UAM holders of micro and small enterprises to avail for quality certification/patent registration/trademark etc. and organise awareness programmes in coordination with other agencies/organisations.

## **14. Awards and Recognition**

- a. Department of Commerce and Industries shall constitute an award committee comprising of representatives from line departments like Tourism, Agriculture and Horticulture, Fishery, Forests, Transport, Lead bank, Animal Husbandry and DICs headed by Principal Secretary/Commissioner cum Secretary/Secretary, Department of Commerce and Industries.
- b. Award shall be given annually to micro and small enterprises which exhibit best performance in Manufacturing and Service sector.
- c. Evaluation will focus on the environment friendliness of the plant and machinery, timely renewal of permits and conducting of audits, volume of employment generation with capacity building, welfare measures of the labour, promotion of environment friendly technology, profit percentage and any other parameters as decided by the award committee.

#### **15. MSME Facilitation**

- a. MSME facilitation desk shall be opened at Department of Commerce and Industries.
- b. Online single window for MSME shall be developed to facilitate their registration, renewal, updation as well as to maintain a database.
- c. To simplify the procedure for enrolment of micro enterprises into their formalized business, provisional registration is to be introduced wherein the micro enterprises shall register their enterprises with DICs, Department of Commerce and Industries through simplified online process. Such registration will be conveyed to the micro enterprises within two working days.
- d. The MSMEs shall be reimbursed 50% of the cost or a maximum of Rs. 20,000/- for preparing Detailed Project Report from the empanelled agencies to avail the schemes of Central or State Governments.
- e. The registered micro and small enterprises shall be provided with financial assistance under State/Central Government schemes for setting up tool room, training facilities, warehouses and cold storage and processing facilities as per the scheme guidelines.
- f. Sikkim Micro and Small Enterprises Facilitation Council (SMSEFC) shall be constituted under Micro, Small and Medium Enterprises Development Act, 2006 for addressing payment related matters of micro and small enterprises.
- g. Incubation centers, Tools room and Technology Centers shall be created at appropriate locations in the four districts to assist micro and small enterprises to take up enterprises in their desired field. The Incubation centers/Tools room/Technology Centers shall be created within the existing Government institutions/PSUs/organizations.
- h. The first generation entrepreneurs with a target of 20 entrepreneurs per year shall be given exposure to the established incubation centers either within the state, nationally or in nearby countries.

#### **16. Assistance for Cluster Development**

- a. Financial assistance upto Rs.20 lakhs as implementing agencies share shall be provided by the Government where the government schemes/projects have been implemented with 90:10 funding pattern by Government of India and Government of Sikkim/Promoters contribution. This benefit can only be availed by clusters.
- b. The State Government share shall be extended for Common Infrastructure Facilities (CIF) or Common Facilitation Centers (CFC) from the Industrial Development Fund (IDF) for cluster development under MSME schemes or under state budget.

#### **17. Conditions/Eligibility of the Units for availing Incentives/ Financial Assistance under this policy**

- a. The incentives and benefits defined under this policy shall be entitled only for the Udhyam Registered MSMEs of Sikkim.
- b. The MSMEs shall fulfill all other statutory provisions defined under the Central and State Governments.
- c. Regular Energy Audit is to be conducted and standard energy efficiency to be ensured wherever applicable.
- d. MSMEs strictly following labour laws of the State and Central Governments.

- e. Units to remain in production/operation while claiming the benefits and the previous financial year from the date of commencement of commercial operation.

#### **18. Funding of Projects**

- a. State Government shall support with margin money for start-up enterprises under schemes of Government of India as well as Government of Sikkim.
- b. State Government shall assist in getting subsidy linked credit loan under various schemes of Central/State Government/Financial institutions and banks.
- c. State Government shall assist Micro and Small Enterprises in getting Central Government assistance under different ministries for their enterprises and promotion.
- d. State Government shall also facilitate to access the Corporate Social Responsibility (CSR) funds for skill development as well as seed money for start-ups.

#### **19. Export Facilitation**

- a. There shall be an Export Facilitation Export Certificate (IEC) from the Director General of Foreign Trade (DGFT), mandatory clearance required for export and goods handling agent at seaports and airports.
- b. Many traditional handicrafts and handloom products, organic farming products as well as naturally available products are in high demand in foreign markets. Enterprises that have the capacity to produce exportable products/items will be facilitated through forward and backward linkages and incentives for warehousing, transportation, export-related insurance and obtaining the requisite license from the Director General of Foreign Trade (DGFT).
- c. The Micro and Small Enterprises shall be reimbursed with 50% of logistic expenses incurred for their export through seaports or 30% expenses incurred through airports.
- d. 50% cost on Transportation from factory site to ports, 50% cost on warehouse charge and 25% cost on packaging expenses shall be reimbursed.

#### **20. Research and Development**

- a. Research and Development for up scaling or modernizing start-ups shall be facilitated in national level research institutes by the State Government wherever possible or in institutes under the MSME Ministry. The State shall facilitate and bear the cost to the extent of Rs.50,000/ (Rupees fifty thousand) for such research work if it is carried out by local entrepreneurs.

